

# UAC INSURANCE MUTUAL

## *Board of Trustees Meeting*

Thursday, December 19, 2002, 8:00 a.m.  
Utah Association of Counties Building, Training Room

A G E N D A

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8:00 Breakfast Provided

Call to Order

Gary Herbert

Review of Board Members Absent

Approval of October Minutes

Davis, Utah and Weber Counties' Appointment to the Board

Appointment to Fill Tex Olsen's Unexpired Term (At-Large)

Election of New Officers

Set Date, Time and Place of Regular Meetings for 2003

Broker Report

John Chino

Approval of 2003 Policy Program

UAC Board Decision Regarding Reimbursements and Reserves

Gary Herbert

UAC Service Contract

Brent Gardner

2003 General Budget Amendments

Lynn Lemon

Set Date and Time for Closed Meeting

to Discuss Pending or Reasonably Imminent Litigation

Action on Litigation Matters

Kent Sundberg

Search for New Director

Kent Sundberg

Set Date and Time for Closed Meeting

to Discuss Character, Professional Competence, Physical/Mental Health of an Individual

Other Business

Adjourn



## **UACIM BOARD of TRUSTEES MEETING**

### **MINUTES**

December 19, 2002, 8:00 a.m.  
Utah Association of Counties Training Room

#### **BOARD MEMBERS PRESENT**

Gary Herbert, *President*, Utah County Commissioner  
Dan McConkie, *Vice President*, Davis County Commissioner  
Lynn Lemon, *Secretary-Treasurer*, Cache County Executive  
Steve Baker, Davis County Personnel Director  
Kay Blackwell, Piute County Commissioner  
LaVar Cox, Millard County Commissioner  
Royal Norman, Box Elder County Commissioner  
Ed Phillips, Millard County Sheriff  
Tex Olsen, Sevier County Commissioner  
Kent Sundberg, Utah County Deputy Attorney  
Steve Wall, Sevier County Clerk-Auditor

#### **BOARD MEMBERS ABSENT**

Gene Roundy, Iron County Commissioner

#### **MEMBERS PRESENT**

Kenneth Bischoff, Weber County Commissioner  
Michael Cragun, Davis County Commissioner

#### **OTHERS PRESENT**

Brent Gardner, UAC Executive Director  
Sonya White, UACIM Administration  
John Chino, Arthur J. Gallagher

#### **CALL to ORDER**

Gary Herbert called the meeting to order and welcomed those in attendance.

#### **REVIEW of BOARD MEMBERS ABSENT**

Gene Roundy requested to be excused from this meeting because the Iron County Commission meeting had to be rescheduled for today. Ed Phillips made a motion to excuse Gene Roundy from this meeting. Royal Norman seconded the motion, which passed unanimously.

#### **APPROVAL of MINUTES**

The minutes of the Board of Trustees meeting held October 9, 2002 were previously sent to the Board Members for review. Kay Blackwell made a motion to approve the October 9, 2002 Board of Trustees meeting minutes as written. Steve Wall seconded the motion, which passed unanimously.

The minutes of the Board of Trustees telephonic conference held October 30, 2002 were previously sent to the Board Members for review. The Board made the following corrections:

1. 2002 GENERAL BUDGET AMENDMENTS, page two, paragraph two, *For year 2000 a net excess of \$262 was determined owed to UACIM and for year 2001 a net deficit of \$11,152 was determined ~~owned~~ owed to UAC.*
2. OTHER BUSINESS, page two, *It is Shawn's recommendation that the Mutual again pay this premium out of surplus since it appears that increase will not be as substantial as originally presented.*

Kay Blackwell made a motion to approve the October 30, 2002 Board of Trustees telephonic conference minutes as corrected. Steve Wall seconded the motion, which passed unanimously.



### DAVIS, UTAH and WEBER COUNTIES' APPOINTMENT to the BOARD

Sonya White explained that by resolution (see attachment #1), Weber County appointed Kenneth A. Bischoff as the official Board representative for Weber County. Article five of the Bylaws do not state how Davis, Utah and Weber Counties appoint their representative so the Board agreed that the current Board Members, Dan McConkie and Gary Herbert, will continue to serve until the governing body of Davis and Utah Counties make a formal appointment. The Board will request these appointments in writing.

### APPOINTMENT to FILL TEX OLSEN'S UNEXPIRED TERM (AT-LARGE)

A request has been made from Scott Hansen, Box Elder County Commissioner, and Ira Hatch, Emery County Commissioner, to be considered by the Board of Trustees to fill Tex Olsen's unexpired term (see attachment #2 & #3). Gary Herbert suggested that since there is an interest in this position the Board should send a formal notice to all member counties stating that this position is available for appointment by the Board and if anyone is interested to make it known. Kent Sundberg made a motion directing Sonya White to send notification of the Board appointment, to be decided at the January meeting, to all member counties. Steve Wall seconded the motion, which passed unanimously.

### ELECTION of OFFICERS

The current officers of the 2002 Board of Trustees are Gary Herbert, *President*; Dan McConkie, *Vice President*; and Lynn Lemon, *Secretary/Treasurer*. Dan McConkie made a motion nominating Gary Herbert to continue to serve as President of the Mutual for 2003. The motion was seconded and opened for discussion. Gary explained that the Utah County Commission might decide to appoint one of the other Commissioners to the Mutual Board since Gary is now the President of the Utah Association of Counties. Gary felt it may be wise for him to step down because of the workload and any conflicts but if the Mutual Board wants him to serve until the Utah County Commission appointment is made, he will do so. Tex Olsen made a motion to suspend the rules and elect Gary Herbert as President of the Mutual Board of Trustees. Lynn Lemon seconded the motion, which passed unanimously. Royal Norman made a motion nominating Dan McConkie as Vice President of the Mutual and Lynn Lemon as Secretary/Treasurer. Ed Phillips seconded the motion, which passed unanimously.

### SET DATE, TIME and PLACE of REGULAR MEETINGS for 2003

The Board of Trustees meetings have been held every third Thursday of each month at 9:30 a.m. at the Utah Association of Counties Building. Steve Wall made a motion that the regular meetings of the Utah Association of Counties Insurance Mutual Board of Trustees will be held on the third Thursday of each month at 9:00 a.m. at the Utah Association of Counties building. Steve Baker seconded the motion, which passed unanimously.

### BROKER REPORT

Pursuant to the Board's request, John Chino reported that the Risk Management Proposal has been updated from the proposal presented at the August meeting (see attachment #4). Negotiations with the carriers have continued and options revisited in an effort to lower the Mutual's reinsurance premiums. The following options are now available for casualty reinsurance through American Reinsurance Company: premium of \$750,000 for a \$250,000 self-insured retention (SIR), premium of \$585,000 for a \$500,000 SIR, and a premium of \$492,000 for a \$750,000 SIR. As the SIR increases so does the loss fund or attachment point as outlined in pages 10-15 of the proposal. The Mutual has always purchased \$2,000,000 in loss fund and excess aggregate protection in the event losses exceeded the attachment point. The Mutual has not reached its attachment point for the last eight years, moreover, the average losses for the last six years is only \$1,111,839. This protection was recommended to the Mutual when surplus was low and losses were high. John recommended that the Mutual maintain its \$250,000 SIR and cancel the loss fund protection. Two options are now available for property reinsurance through Travelers Insurance Company: premium of \$573,641 without earthquake coverage and a premium of \$614,615 with a \$5,000,000 earthquake limit. John recommended that the Mutual continue to purchase earthquake coverage to meet FEMA requirements—earthquake coverage is also a good marketing tool. Reinsurers are passing on a 30% increase to their best clients. The Brokers negotiated a 25% increase for the Mutual and John feels comfortable that this is the best price available.



John Chino reported that a new Federal Law, the Terrorism Retention Act, provides a Federal backdrop for terrorism claims but the statute is hard to interpret. The insurance industry's interpretation is that they must offer terrorism coverage to its clients. The provider of the Tenant User Liability Insurance Program (TULIP) is offering this coverage. John recommends that the Mutual opt not to have this coverage for TULIP.

#### APPROVAL of 2003 POLICY PROGRAM

Kent Sundberg made a motion approving option one (\$250,000 SIR) of the American Reinsurance policy without the loss fund protection for a premium of \$700,000. Kay Blackwell seconded the motion, which passed unanimously. Lynn Lemon made a motion approving option two (\$5,000,000 earthquake) of the Travelers policy for a premium of \$614,615. Dan McConkie seconded the motion, which passed unanimously. Steve Wall made a motion to decline terrorism coverage for the Tenant User Liability Insurance Program. Lynn Lemon seconded the motion, which passed unanimously.

#### UAC BOARD DECISION REGARDING REIMBURSEMENTS and RESERVES

Gary Herbert reported that at the Utah Association of Counties Board of Directors meeting, held November 13, he presented the results of the UAC and Mutual's examination of the funds and presented the Mutual's proposal. The proposal included, \$65,498 to be returned to the Mutual for unexpended salaries, that the building reserve amount of \$34,520 be returned to the Mutual, that the building repair amount of \$11,268 be returned to the Mutual, that the automobile reserve amount of \$13,300 be returned to the Mutual and that all automobiles and assets purchased by the Mutual be transferred to the Mutual. Gary stated that the UAC Board of Directors agreed with the Mutual's proposal. Brent Gardner said that a couple of UAC Board Members asked him about the salary return. Dan McConkie and Lynn Lemon said that they each had received a call from Kelly Wright, Morgan County Attorney, who wondered why unexpended salaries were being returned to the Mutual when the salaries that were actually expended by UAC were not being returned as calculated in the reconciliation presented by Robison Hill. Dan said that he explained to Kelly that the Mutual Board had offered a compromise to the UAC Board but since Kelly felt a duty to question this, Dan told Kelly that he would bring this concern before the Mutual Board. Lynn said that the sense he had after the UAC Board meeting, as a Member of both Boards, was that the UAC Board believed that their concurrence to the compromise was the end of this issue. Tex Olsen, Gary and LaVar Cox agreed. Brent said that the UAC Board Members received little information from the Mutual Board. Gary said that the Mutual meetings were open and some members that serve on the UAC Board attended those meetings. Steve Baker said that he attended the UAC Board meeting and felt that enough information was given to the Members. A motion was made that Dan McConkie and Lynn Lemon will contact Kelly Wright explaining that the decision was a compromise between both Boards. The motion was seconded and passed unanimously. The Board directed Sonya White to draft a letter of appreciation, in an effort to make the UAC Board Members feel more comfortable with their decision, on behalf of the Mutual Board.

#### UAC SERVICE CONTRACT

Brent Gardner prepared an outline of services that the Utah Association of Counties is willing to provide to the Mutual for a fee (see attachment #5). The chosen services and fee will need to be approved by the UAC Board of Directors. The Mutual Board agreed that *Reception Duties, Payroll Services, Personnel Services, Accounting & Payable Services and Monthly Reports* will be handled by Sonya White. The phone system, purchased jointly by UAC and UACIM, has the capability to accommodate four separate companies. The Board authorized Sonya to have four phone lines set-up for the Mutual, one a dedicated fax line, and purchase a fax machine for the Mutual. Sonya is using the same accounting software that UAC is to do payroll and as long as employee benefits are not at risk, the Board authorized Sonya to handle payroll, personnel, etc. Brent stated that for 2003 the square footage percentage of the building costs for the Mutual will be 36% (was 47% in 2002). *Property Management, Exclusive Endorsement and Use of Trademark* are items that the Board agreed are important for the Mutual to contract for through UAC and directed Brent to propose a fee for these services at the next Board meeting. The Board anticipates that the new Director will do *Lobbying* for the Mutual. Lynn Lemon said that the goal of UAC and UACIM should be that of working together to cooperate and compliment each other even with the January 1 separation.



## 2003 GENERAL BUDGET AMENDMENTS

Lynn Lemon reviewed the proposed amendments to the 2003 General Budget with the Board (see attachment #6). *Investment income* decreased to reflect the amended 2002 budget amount, *reimbursement from UAC* was added to income, the *reinsurance premium* adjusted to reflect the program adopted today (\$1,354,742), *automobile reserve* was added, *building* payment and expenses may be adjusted at a later time if the percentage being paid by the Mutual has gone from 47% to 36%, *data processing* item has been renamed as *information technology*, *other services* may be adjusted depending on the UAC service contract, *staff salaries* increased to reflect 100% of Sonya White's salary and a 2% merit increase for Mark Brady, and *reserves* are listed showing the amounts to be returned from UAC to the Mutual. Lynn Lemon made a motion to approve the amendments as presented. Kent Sundberg seconded the motion, which passed unanimously. LaVar Cox made a motion that all bills to be paid will be authorized by the President, Vice President OR Secretary/Treasurer and that all expenses be authorized by the President, Vice President AND Secretary/Treasurer. Steve Wall seconded the motion, which passed unanimously. Dan McConkie made a motion that expenses will be authorized every two weeks and that two signatures are required on all expense checks, one of which can be the Director. Kent Sundberg seconded the motion, which passed unanimously.

## SET DATE and TIME for CLOSED MEETING

Steve Wall made a motion to set the date and time for a closed meeting to discuss pending or reasonably imminent litigation for December 19, 2002 at 11:35 a.m. Royal Norman seconded the motion, which passed unanimously.

Royal Norman made a motion to conclude the closed meeting to discuss pending or reasonably imminent litigation on December 19, 2002 at 11:40 a.m. Steve Wall seconded the motion, which passed unanimously.

## ACTION on LITIGATION MATTERS

Kent Sundberg made a motion to strike the agenda item, *Action on Litigation Matters*. The motion was seconded and passed unanimously.

## SEARCH for NEW DIRECTOR

Kent Sundberg reported that he, Steve Baker and Ed Phillips individually reviewed the 43 resumes received from applicants applying for the Mutual Director position. Two weeks ago they met and narrowed the search down to 12 applicants in which they interviewed telephonically yesterday, December 18. A motion was made to go into closed session (see *Set Date and Time for Closed Meeting*).

## SET DATE and TIME for CLOSED MEETING

Kay Blackwell made a motion to set the date and time for a closed meeting to discuss the character, professional competence, physical or mental health of an individual for December 19, 2002 at 11:50 a.m. Ed Phillips seconded the motion, which passed unanimously.

Lynn Lemon made a motion to conclude the closed meeting to discuss the character, professional competence, physical or mental health of an individual on December 19, 2002 at 12:10 p.m. Steve Wall seconded the motion, which passed unanimously.

## OTHER BUSINESS

In regards to the 2003 policy program, the Board should feel comfortable that the Mutual is an acceptable risk. Steve Baker suggested that the entire Board of Trustees should hear from Glen Taylor, the actuary, not just the Audit Committee. The Board agreed to substitute the Audit Committee meeting with the Board meeting in August so that Glen Taylor can discuss his analysis with the entire Board.

Regarding terrorism, Brent Gardner explained that there is no immunity in Utah for clinical vaccinations—this would include the counties' vaccination program. The Federal Government has provided some protection to the drug companies but not those who administer the drugs. The Mutual provides protection under its current program but there is no immunity. Kent Sundberg said that the Litigation Management Committee would review the statute to see if amendments are needed to protect the counties under governmental immunity.



Kent Sundberg stated that the 2003 Coverage Agreement should include language not to defend county employees in their personal capacity.

The next meeting of the Board of Trustees will be held on Thursday, January 16, 2003 at 9:00 a.m. at the Utah Association of Counties building.

Approved on this 16 day of January, 2003  
Lynn Lemon  
Lynn Lemon, UACIM Secretary-Treasurer



**ANNUAL NOTICE OF REGULAR MEETING SCHEDULE OF THE BOARD OF TRUSTEES  
OF THE UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL**

**PUBLIC NOTICE** is hereby given that the 2003 Annual Meeting schedule of the Board of Trustees of the Utah Association of Counties Insurance Mutual is as follows:

Regular meetings of the Board of Trustees of the Utah Association of Counties Insurance Mutual will be held on the **third Thursday of each month** of the year from the hour of **9:30** a.m. until finished, at 5397 South Vine Street, Murray, Utah, unless otherwise listed below or changed by action of a quorum of the Board of Trustees of the Utah Association of Counties Insurance Mutual.

**TENTATIVE REGULAR MEETING DATES FOR 2003**

January 16  
February 20  
March 20  
April 16  
May 15  
June 19  
July 17  
August 21  
September 18  
October 16  
November 12  
December 18

A regular meeting may be canceled without notice by action of a quorum of the Board of Trustees. When, because of unforeseen circumstances, it is necessary for the Board of Trustees to hold an emergency meeting to consider matters of an emergency or urgent nature, the best notice practicable shall be given. No such emergency meeting of the Board of Trustees shall be held unless an attempt has been made to notify all of the members of the Board of Trustees and there is a majority vote in the affirmative to hold the meeting.

All regular meetings of the Board of Trustees shall be open to the public unless closed by the Board of Trustees in the manner described in §52-4-4, Utah Code Annotated, 1953 as amended, and, for a purpose described in §52-4-5, Utah Code Annotated, 1953 as amended.

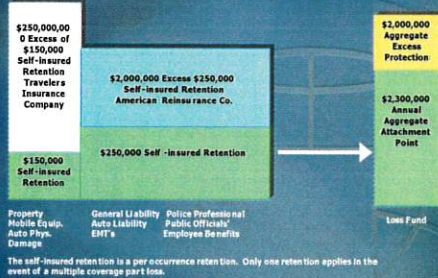
ADOPTED AND APPROVED THIS 19 DAY OF December, 2002.

BOARD OF TRUSTEES,  
UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

  
**GARY R. HERBERT**, President



## 2003 Risk Management Structure American Reinsurance Co. & Travelers Insurance Co.



## 2003 Program Year Cost Summary

Description	Expiring	Renewal	Insurer/Provider
Casualty (Third Party Liability)	\$580,000	\$790,000	American Reinsurance Co.
Property	\$451,406	\$655,589	Travelers Insurance Co.
Crime/Employee Dishonesty	\$4,008	\$5,060	Travelers Insurance Co.
Boiler & Machinery	\$29,245	\$35,067	Travelers Insurance Co.
Brokerage Fee	\$80,000	\$80,000	Arthur J. Gallagher & Co.
<b>Total Fixed Costs</b>	<b>\$1,144,659</b>	<b>\$1,565,716</b>	
Loss Fund (Attachment Point)	\$1,850,000	\$2,300,000	American Reinsurance Co.
<b>Total Program Costs</b>	<b>\$2,994,659</b>	<b>\$3,865,716</b>	

## Total Incurred Loss Analysis Valued as of 6/30/02

	1997	1998	1999	2000
Property	\$89,421	\$122,548	\$170,894	\$62,753
Auto Physical Damage	\$138,165	\$350,162	\$275,347	\$171,996
Auto Liability	\$231,458	\$326,746	\$129,279	\$143,948
General Liability	\$80,276	\$231,761	\$124,364	\$122,172
Errors & Omissions	\$522,989	\$312,346	\$718,396	\$270,811
Crime	\$0	\$0	\$0	\$705
<b>Total:</b>	<b>\$1,062,309</b>	<b>\$1,343,563</b>	<b>\$1,418,280</b>	<b>\$772,385</b>

## Total Incurred Loss Analysis Valued as of 6/30/02 (Continued)

	2001	2002	Total	Average <sup>1</sup>
Property	\$221,793	\$58,220	\$725,629	\$131,933
Auto Physical Damage	\$241,984	\$58,180	\$1,235,834	\$224,697
Auto Liability	\$458,161	\$32,140	\$1,321,732	\$240,315
General Liability	\$103,017	\$6,665	\$668,255	\$121,501
Errors & Omissions	\$219,843	\$118,000	\$2,162,385	\$393,161
Crime	\$571	\$0	\$1,276	\$232
<b>Total:</b>	<b>\$1,245,369</b>	<b>\$273,205</b>	<b>\$6,115,111</b>	<b>\$1,111,839</b>

<sup>1</sup> Average losses for five years and six months (66 months ÷ total ÷ 12 months = Average).



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# UACIM 2003 Service Contract

Presented to: UACIM Board of Directors  
December 19, 2002



## **RECEPTION DUTIES**

- ◆ Answer phones and direct calls to UACIM staff.
- ◆ Answer brief questions concerning UACIM services, functions, events, etc.
- ◆ Direct walk-in visitors to UACIM or VeriClaim staff.
- ◆ Answer questions.

## **PAYROLL SERVICES**

- ◆ Payment of payroll tax.
- ◆ Calculation and documentation of salary increases and retroactive compensation.
- ◆ Calculate increases to retirement monthly report.
- ◆ Long-term disability premiums, workers compensation quarterly premiums and quarterly preparation of IRS 941 reports.

## **PERSONNEL SERVICES**

- ◆ Maintain staff files.
- ◆ Administer vacation/sick leave, including record keeping, preparation of year-end calculations of payouts and carryovers for auditors.
- ◆ Notification of Workforce Services of new employees.

## **ACCOUNTING AND PAYABLE SERVICES**

- ◆ Allocate and issue payment of expenses for the building, including debt services, yard maintenance, repairs, janitorial, security, elevator, HVAC, etc.
- ◆ Allocate and issue payment of expenses for office supplies and equipment including postage, telephone.
- ◆ Payment for personnel expenses including health insurance, state retirement system, deferred compensation, and workers compensation.
- ◆ Maintenance of accounting records and other documentation.

## **MONTHLY REPORTS**

- ◆ US Department of Labor
- ◆ Internal Revenue Service
- ◆ Department of Workforce Services
- ◆ Utah State Retirement System
- ◆ Utah Local Governments Trust
- ◆ Workers Compensation Fund



## PROPERTY MANAGEMENT

- ◆ Determine needed services for building maintenance including janitorial, yard work, repairs, HVAC, elevator, office equipment, etc.
- ◆ Meet with vendors and negotiate rates, terms, contracts, warranties, scope of work, for those and other services.
- ◆ Response to emergency repairs.
- ◆ Respond to after-hours security alarms.
- ◆ Calculate and allocate joint cost breakdowns for on-going maintenance, debt service, reserves, and repairs.

## EXCLUSIVE ENDORSEMENT

- ◆ Exclusive promotion of UACIM products and services at all UAC meetings, events and in all publications.
- ◆ Restriction of exhibitors and sponsorships.
- ◆ Promote attendance through publication of programs, announcements, bulletins, web page, newsletter, and other publications.
- ◆ Exclusive time slot during UAC annual meeting and spring management conference for UACIM meetings, offering exclusive UACIM training to UAC affiliate groups.

## LOBBYING

- ◆ Review agendas.
- ◆ Monitor committees and task force deliberations.
- ◆ Read and analyze legislation impacting UACIM's general liability, property and immunity protections.
- ◆ Prepare information to respond to legislative issues impacting UACIM.
- ◆ Refer legislative issues to UACIM staff for assistance in addressing UACIM impacts.
- ◆ Schedule UACIM-sponsored legislation and other legislative issues on UAC committees and affiliate meetings for discussion and development of policy positions.
- ◆ Meet with bill sponsors and committee members to inform and educate them regarding UACIM impacts from legislation.
- ◆ Arrange for sponsors for legislation requested by UACIM.
- ◆ Build coalitions of other interested organizations that have a common interest to support UACIM legislation and positions.

## USE OF TRADEMARK

- ◆ Licensing for the continued use of the name "Utah Association of Counties" including the goodwill and name identification that UAC has developed over its 80-year history.



## **COST BASIS**

- ◆ For Lobbying, the Exclusive Endorsement, and Name Identification basis would be flat fee.
- ◆ For all other services, UAC will bill UACIM monthly based on hourly rates of those employees performing the service plus any additional costs.



**UAC INSURANCE MUTUAL**  
General Budget

	Revised Approved 10/30/02 2002 Budget	Approved 8/28/02 2003 Budget	Proposed Amended 2003 Budget		Proposed Amended 2003 Budget	Proposed Amended 2003 Budget
<b>REVENUE</b>						
Premiums Written	3,612,410	3,930,732	3,858,083	(a)	3,858,083	3,858,083
Investment Income	225,000	240,000	225,000	(b)	225,000	225,000
UAC Reimbursement			65,498	(c)	65,498	65,498
Retained Equity		262,536	140,442		0	0
<b>TOTAL REVENUE</b>	<b>3,837,410</b>	<b>4,433,268</b>	<b>4,289,023</b>		<b>4,148,581</b>	<b>4,148,581</b>
<b>LOSSES AND LOSS EXPENSES</b>						
Losses	1,703,247	2,000,000	2,000,000	(d)	2,000,000	2,000,000
Claims Management Expenses (VeriClaim, Inc.)	232,960	242,278	242,278		242,278	242,278
Reinsurance	1,100,244	1,485,716	1,404,742	(e)	1,239,742	1,146,742
Loss Adjustments for Previous Years	0	0	0		0	0
<b>TOTAL LOSS EXPENSES</b>	<b>3,036,451</b>	<b>3,727,994</b>	<b>3,647,020</b>		<b>3,482,020</b>	<b>3,389,020</b>
<b>ADMINISTRATION EXPENSES</b>						
Accounting (Larson & Company)			14,750		14,750	14,750
Actuarial Analysis (Taylor Walker)			13,000		13,000	13,000
Administration Fee (Utah Association of Counties)	494,804					
Automobile Expense		7,500	7,500	(f)	7,500	7,500
Automobile Reserve			15,120	(g)	15,120	15,120
Brokerage Fees (Arthur J. Gallagher)	80,000	80,000	80,000		80,000	80,000
Board Expense		8,000	8,000		8,000	8,000
Building: Maintenance			12,000	(h)	12,000	12,000
Building: Repairs & Replacement			5,634	(i)	5,634	5,634
Building: Reserve			17,260	(j)	17,260	17,260
Copying Costs		1,200	1,200	(k)	1,200	1,200
Dues / Subscriptions		1,500	1,500		1,500	1,500
Expenses Paid to UAC		109,634				
Information Technology		4,000	4,000	(l)	4,000	4,000
Lease Purchase (Debt Service)			87,000		87,000	87,000
Loss Control / Training		14,000	14,000		14,000	14,000
Office Supplies		2,500	2,500	(m)	2,500	2,500
Other Expenses	50,000	48,300	50,000	(n)	50,000	50,000
Other Insurance		1,500	1,500	(o)	1,500	1,500
Other Services (UAC)			5,000	(p)	5,000	5,000
Postage		1,000	1,000	(q)	1,000	1,000
Printing		1,000	1,000	(r)	1,000	1,000
Professional Fees	47,000	30,255				
Staff Expenses		17,500	17,500	(s)	17,500	17,500
Staff Salaries		182,137	189,815	(t)	189,815	189,815
Staff Retirement		40,580	40,580	(u)	40,580	40,580
Staff FICA		14,304	14,304	(v)	14,304	14,304
Staff Medical Insurance		32,340	32,340	(w)	32,340	32,340
Telephone		5,500	5,500	(x)	5,500	5,500
<b>TOTAL ADMINISTRATION</b>	<b>671,804</b>	<b>602,750</b>	<b>642,003</b>		<b>642,003</b>	<b>642,003</b>
<b>TOTAL LOSSES AND EXPENSES</b>	<b>3,708,255</b>	<b>4,330,744</b>	<b>4,289,023</b>		<b>4,124,023</b>	<b>4,031,023</b>
<b>NET INCOME</b>	<b>129,155</b>	<b>102,524</b>	<b>0</b>		<b>24,558</b>	<b>117,558</b>
<b>RESERVE TOTALS</b>						
Automobile		13,300	28,420	(y)	28,420	28,420
Building Debt Service		34,520	51,780		51,780	51,780
Building Repairs		11,268	16,902		16,902	16,902



**BUDGET – 2003**  
**Explanation/Administration of Items**

- (a) Premiums Written - Formula was approved but the approved budget (expenses) changed the premiums allocated to members.
- (b) Investment Income – Lowered to reflect 10/30/02 amended budget amount.
- (c) UAC Reimbursement – UAC Board approved reimbursement request November 13.
- (d) Losses – Loss analysis by actuary agreed to be the most accurate projection of losses. Attachment point set by reinsurers appears unrealistically high.
- (e) Reinsurance – Most expensive option. Board will approve which option prior to the amended budget item.
- (f) Automobile Expense – Separate auto insurance policy, fuel reimbursement, etc.
- (g) Auto Reserve – Was not included in budget approved on 8/28/02.
- (h) Building Maintenance – Total budget amount paid to UAC or should a percentage of monthly bills (utilities, cleaning, landscape, etc.) be paid by UACIM (to vendor or to UAC)? What percentage?
- (i) Building Repairs and Replacement – Same question as (g).
- (j) Building Reserve – Was not included in budget approved on 8/28/02.
- (k) Copies – Cannon 6050 purchased jointly by UAC and UACIM is coded to keep track of all in-house copies made by UACIM. There are 10 employees using the copier, three of which are UACIM employees. UACIM should be responsible for 30% of toner and maintenance for the copier.
- (l) Information Technology (was categorized as Data Processing) – Web Hosting \$69.99 (monthly) + any updates, DSL \$18.95 monthly (UACIM pay 30% = \$5.69), technical support \$70 (hourly) etc.
- (m) Office Supplies – UACIM has its own account with Office Depot. Paper will be purchased for UACIM employees use with the printers and fax machine. UACIM should be responsible for 30% of the toner and maintenance of these machines
- (n) Other Expenses – Bank analysis (monthly), coverage opinions, defense, filings, etc. Increased to reflect 10/30/02 amended budget amount.
- (o) Other Insurance – D&O (UACIM pays 30% of joint policy, Workers Comp (write separate policy), etc.
- (p) Other Services – Proposal given by Brent Gardner.
- (q) Postage – Pitney Bowes meter purchased jointly by UAC and UACIM is coded to keep track of postage used by UACIM employees. UACIM has its own account with Federal Express.
- (r) Printing – UACIM has its own account with Kinko's.
- (s) Staff Expenses – UACIM employees (Director and Loss Control Manager) have Visa card accounts. Should Administrative Assistant also have card?
- (t) Staff Salaries – Increased to reflect 100% Administrative Assistant 2002 salary (\$42,184), 2% merit increase for Loss Control Manager (\$66,440) and \$74,000 (max) for new Director. Also, included in the salary budget are the carried-over vacation and sick leave days for Administrative Assistant and Loss Control Manager (\$7,191). Should any other salary increases or cost of living increases be recommended for 2003?

**BUDGET – 2003**  
**Explanation/Administration of Items**

- (u) Staff Retirement – Nationwide Retirement Solutions (no problem transferring to UACIM). Utah Retirement Systems (application submitted for approval).
- (v) Staff FICA – Sonya White uses the same accounting program as UAC, she is capable of handling payroll and federal and state withholdings.
- (w) Staff Medical Insurance (application submitted for approval). Cafeteria plan has been self administered by UAC, Board approve UACIM to open a separate account for its employees (\$200 per family member)?
- (x) Telephone – Telrad system purchased jointly by UAC and UACIM has the capability to accommodate four separate companies. Twelve outside lines are available. UAC is currently using six of those lines (265-1331). UACIM can have its own telephone number and set-up to ring only UACIM employees' phones. Qwest and TelAmerica can invoice numbers separately. Approximate cost of splitting the system is \$250, monthly cost for each line \$34 (Qwest) or \$25 (Centrex 21). Time frame to order lines = one month. How many lines should UACIM use?
- (y) Reserves – Returned to UACIM from UAC and kept as a separate reserve account.

**Other Questions:**

1. Do all expenses need to be approved by the Board before paying?
2. Who will sign bi-monthly checks (two signers) and how?
3. Assign who will draft personnel policies.
4. Does the Sublease Agreement need to be updated (percentages)?

# AFFIDAVIT OF GARY R. HERBERT

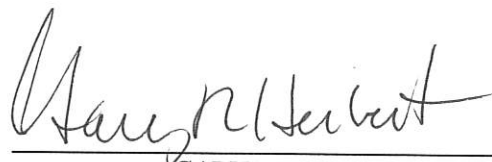
STATE OF UTAH                     )  
  :ss  
COUNTY OF SALT LAKE         )

Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.
2. That the Affiant, on or about the 19 day of December, 2002, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.
3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

FURTHER, Affiant saith not.

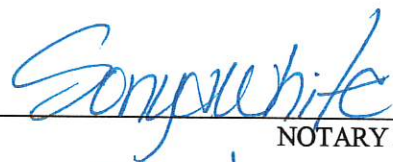
DATED this 19 day of December, 2002.

  
\_\_\_\_\_  
GARY R. HERBERT, President  
Utah Association of Counties Insurance Mutual

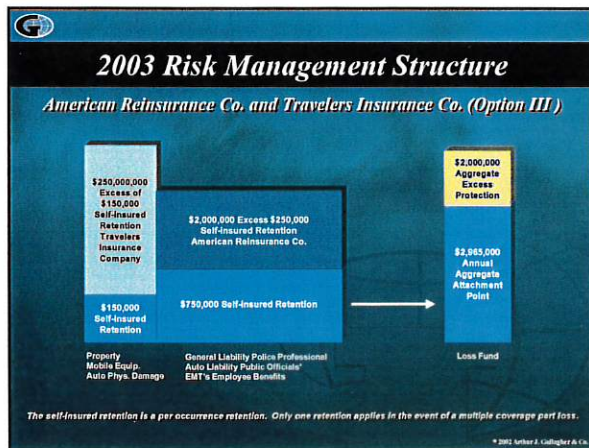
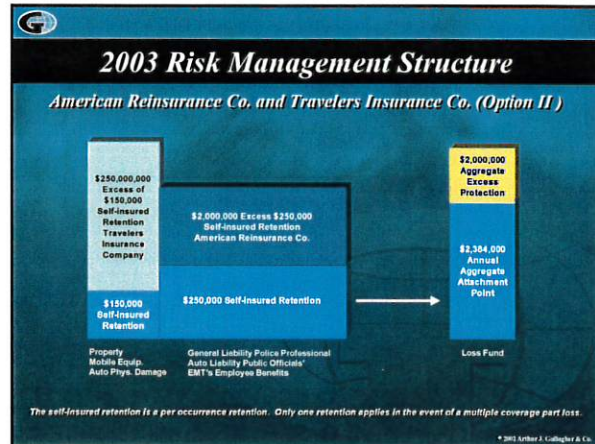
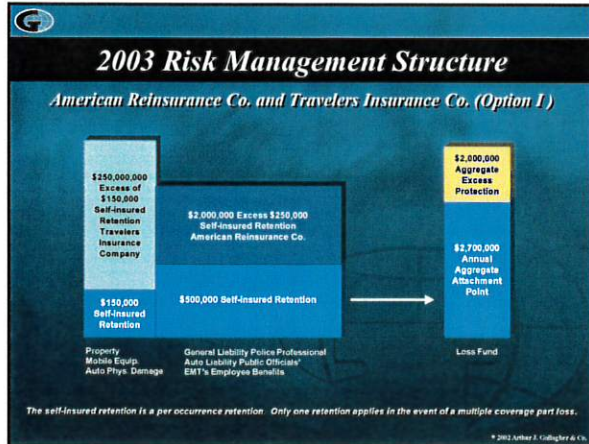
On the 19 day of December 2002, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



Residing at: Sandy, UT  
My Commission Expires: 4-18-08

  
\_\_\_\_\_  
NOTARY PUBLIC  
Sandy, UT  
4-18-08





### 2003 Program Year

#### Cost Summary

Description	Expiring	Option I	Option II	Option III
Casualty (Third-party/Liability)	\$560,000	\$750,000	\$585,000	\$492,000
Property	451,406	614,615	614,615	614,615
Crime/Employee Dishonesty	4,000	5,000	5,000	5,000
Bolter & Machinery	29,245	35,067	35,067	35,067
Brokerage Fee	80,000	80,000	80,000	80,000
Total Fixed Costs	\$1,144,659	\$1,484,742	\$1,319,742	\$1,226,742
Loss Fund (Attachment Point)	1,850,000	2,384,000	2,700,000	2,965,000
Total Program Costs	\$2,994,659	\$3,868,742	\$4,019,742	\$4,191,742

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UTAH ASSOCIATION  
OF COUNTIES  
INSURANCE MUTUAL

## **RISK MANAGEMENT PROPOSAL (REVISED)**

**JANUARY 1, 2003**

**Date Presented: December 19, 2002**

**Presented by:**

**Rich Stokluska, ARM  
Vice President**

**John Chino  
Vice President**

**Arthur J. Gallagher & Co.  
The Gallagher Centre  
Two Pierce Place  
Itasca, IL 60143  
(630) 773-3800  
rich\_stokluska@ajg.com  
john\_chino@ajg.com  
www.ajg.com**

*This proposal is a matter of information only and does not amend, extend, or alter the coverage provided by the actual insurance policies.*





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

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**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**EXECUTIVE SUMMARY**

Arthur J. Gallagher & Co. is pleased to present the renewal terms and conditions to the Utah Association of Counties Insurance Mutual for January 1, 2003 program year. Enclosed for your review is a summary of our marketing results from the various insurance companies offering quotations this year.

The total program costs have increased rather significantly over last year's costs. The primary reason for the increases is the state of the insurance industry. Although the marketplace was changing at this time last year, the terms and conditions presented to the Mutual were pre-September 11<sup>th</sup>. In spite of those tragic events, Arthur J. Gallagher & Co. managed to maintain and secure those terms and conditions when many insurance companies were withdrawing from the marketplace in an attempt to deal with the aftermath of the terrorists' attacks.

Due to the state of the insurance industry, many companies are refusing to provide firm quotations more than 30 days in advance of the policyholders' expiration date. We have been able to obtain indications, or cost estimates, for the upcoming year in order to meet pre-established obligations that exist between the Mutual and its members. These indications are subject to review (and change) based on receipt of current information available after November 1, 2002. We will coordinate these requests for information in a timely manner with the assistance of the Mutual's staff and ask that all of our underwriters notify us immediately of any changes to these indications.

On behalf of the entire Gallagher team, we would like to extend our sincere appreciation to the Mutual, its executive board, and all of the member counties for allowing us the opportunity to be of service to your organization. We look forward to continuing our long-standing relationship for many years to come.





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**ARTHUR J. GALLAGHER & CO.  
Client Commitment ... The Gallagher Way**

Managing our client's risks is our highest commitment.

We try to anticipate our client's needs in advance.

We seek to understand the client's business, not just our own.

We always recommend that which is in the client's best interest, even if it diminishes our revenues.

We lead our clients to ever more effective risk management techniques.

We seek long-term relationships, not quick profits.

Getting the order is only the beginning of our commitment, not the end.

We never promise what we cannot produce.

Honesty and integrity are paramount. If we make a mistake, we admit it, and we make it right.

Every client, large or small, has full access to all of our expertise and capability.





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**STATISTICAL INFORMATION**





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**LIST OF MEMBERS**

Beaver  
Box Elder  
Cache  
Carbon  
Daggett  
Davis  
Duchesne  
Emery  
Garfield  
Grand  
Iron  
Juab  
Kane  
Millard  
Piute  
Rich  
San Juan  
San Pete  
Sevier  
Uintah  
Utah  
Wasatch  
Washington  
Wayne  
Weber





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**EXPOSURE COMPARISON**

**General Liability:**

	Expiring	Renewal	%
Gross Operating Expenditures	\$407,640,165	\$463,795,869	+13.77%
Streets	28,584	28,419	-0.6%
Parks	46	48	+4.3%
Golf Receipts	1,520,279	1,722,283	+13.3%
Stadium Receipts	116,556	269,190	+131.0%
Number of Zoos	1	1	+0.0%
EMT's/Paramedics			
Full-time	32	34	+6.3%
Part-time	405	401	-1.0%
Volunteers			
Full-time	0	0	0.0%
Part-time	280	259	-7.5%
Number of Nurses	41	40	-2.4%
Number of Employees	4,311	4,310	+0.0%

**Law Enforcement:**

	Expiring	Renewal	%
Number of Officers			
Number of Full-time	641	612	-4.5%
Number of Part-time	89	171	+92.1%
Number of Jailers			
Number of Full-time	730	656	-10.1%
Number of Part-time	40	48	+20.0%





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**EXPOSURE COMPARISON**

**Automobile Liability :**

	<b>Expiring</b>	<b>Renewal</b>	<b>%</b>
Sheriff's Cars	974	913	-6.3%
Fire Cars	96	151	+57.3%
Private Passenger	298	327	+9.7%
Vans/Pickups/Light Trucks	761	917	+20.5%
Medium Truck	166	179	+7.8%
Heavy Trucks	332	391	+17.8%
Fire Trucks	150	99	-34.0%
Buses	27	35	+29.6%
Ambulances	97	104	+7.2%
ATV's	103	112	+8.7%
Total	3,004	3,228	+7.5%

**Property:**

	<b>Expiring</b>	<b>Renewal</b>	<b>%</b>
Total Insurance Values	\$752,344,238	\$819,486,872	9%





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**COVERAGE SUMMARY**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**TOTAL INCURRED LOSS ANALYSIS**  
Valued as of 6/30/2002

	1997	1998	1999	2000	2001	2001	Total	Average <sup>(1)</sup>
Property	\$89,421	\$122,548	\$137,429	\$52,471	\$221,793	\$110,299	\$733,961	\$125,822
Auto Physical Damage	138,165	350,162	275,347	171,996	244,492	175,747	1,355,909	232,442
Auto Liability	231,458	295,313	129,279	143,948	534,550	110,344	1,444,892	247,696
General Liability	80,276	231,185	152,828	156,406	123,040	16,722	760,457	130,364
Errors & Omissions	581,681	327,484	749,199	296,105	259,774	174,704	2,388,947	409,534
Crime	0	0	0	705	571	0	1,276	219
<b>Total</b>	<b>\$1,121,001</b>	<b>\$1,326,692</b>	<b>\$1,444,082</b>	<b>\$821,631</b>	<b>\$1,384,220</b>	<b>\$587,816</b>	<b>\$6,685,442</b>	<b>\$1,146,076</b>

<sup>(1)</sup> Average losses for five years and six months (Total x 12 months ÷ 70 months = average).





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**CASUALTY**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**CASUALTY  
Option I**

**Coverage:** Third-party Liability including bodily injury, property damage, and personal injury, exclusive of a \$250,000 self-insured retention

**Company:** American Reinsurance Co.

**Form:** Occurrence except for Public Officials' Liability which is claims-made

**Loss Fund:** \$2,384,000

**Aggregate Excess Protection:** \$2,000,000

**Premium:** \$750,000

Coverage Parts	Limit	Terms
General Liability	\$2,000,000	Per occurrence
	\$3,000,000	Aggregate per member
Law Enforcement Liability	\$2,000,000	Per occurrence
	\$2,000,000	Aggregate per member
Employee Benefits Liability	\$2,000,000	Per occurrence
	\$2,000,000	General aggregate per member
Automobile Liability	\$2,000,000	Per occurrence
Auto Medical Payments	\$5,000	Per person
Uninsured Motorists	Statutory	Per occurrence
Underinsured Motorists	Statutory	Per occurrence
Public Officials' Liability	\$2,000,000	Per occurrence
	\$2,000,000	General aggregate per member

**Terms and Conditions:**

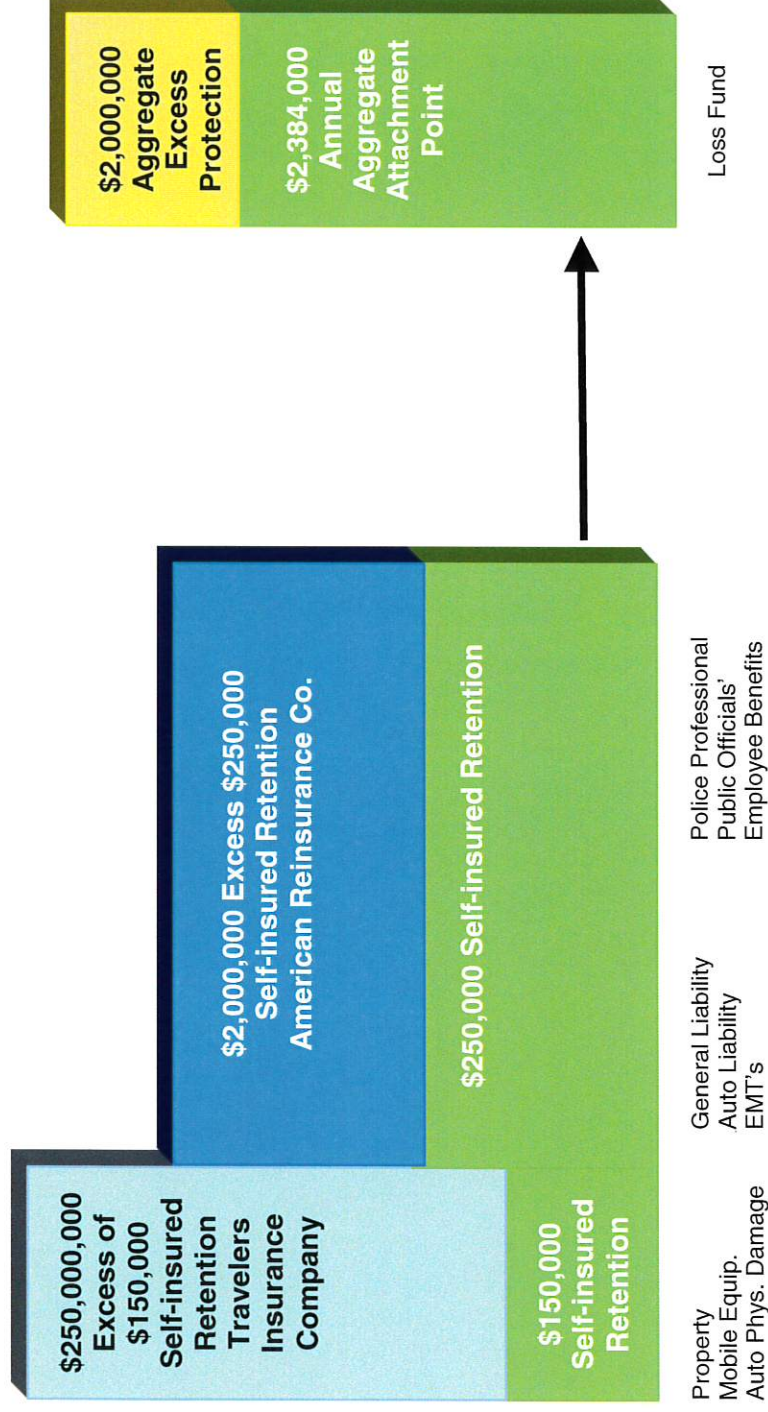
- Terrorism/Mold excluded entirely. Please advise if you would like us to approach underwriters for a quote to include Terrorism.
- Terms indicated are subject to change based upon exposure adjustments, deterioration in loss experience or any other factor that may have an impact on underwriters' assessment of this risk.
- Please provide loss runs (the single page McLaren summary sheets) for the past six years at June 30<sup>th</sup> of each year. Also, please note the quote is subject to receipt of Flood Zones A + V TIV (they need this to assess their Flood exposure to the loss fund).
- To delete the loss fund and excess aggregate protection, the return premium would be \$50,000.



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**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**2003 RISK MANAGEMENT STRUCTURE**  
American Reinsurance Co. and Travelers Insurance Co.  
Option I



The self-insured retention is a per occurrence retention. Only one retention applies in the event of a multiple coverage part loss.





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**CASUALTY  
Option II**

**Coverage:** Third-party Liability including bodily injury, property damage, and personal injury, exclusive of a \$500,000 self-insured retention

**Company:** American Reinsurance Co.

**Form:** Occurrence except for Public Officials' Liability which is claims-made

**Loss Fund:** \$2,700,000

**Aggregate Excess Protection:** \$2,000,000

**Premium:** \$585,000

Coverage Parts	Limit	Terms
General Liability	\$2,000,000 \$3,000,000	Per occurrence Aggregate per member
Law Enforcement Liability	\$2,000,000 \$2,000,000	Per occurrence Aggregate per member
Employee Benefits Liability	\$2,000,000 \$2,000,000	Per occurrence General aggregate per member
Automobile Liability	\$2,000,000	Per occurrence
Auto Medical Payments	\$5,000	Per person
Uninsured Motorists	Statutory	Per occurrence
Underinsured Motorists	Statutory	Per occurrence
Public Officials' Liability	\$2,000,000 \$2,000,000	Per occurrence General aggregate per member

**Terms and Conditions:**

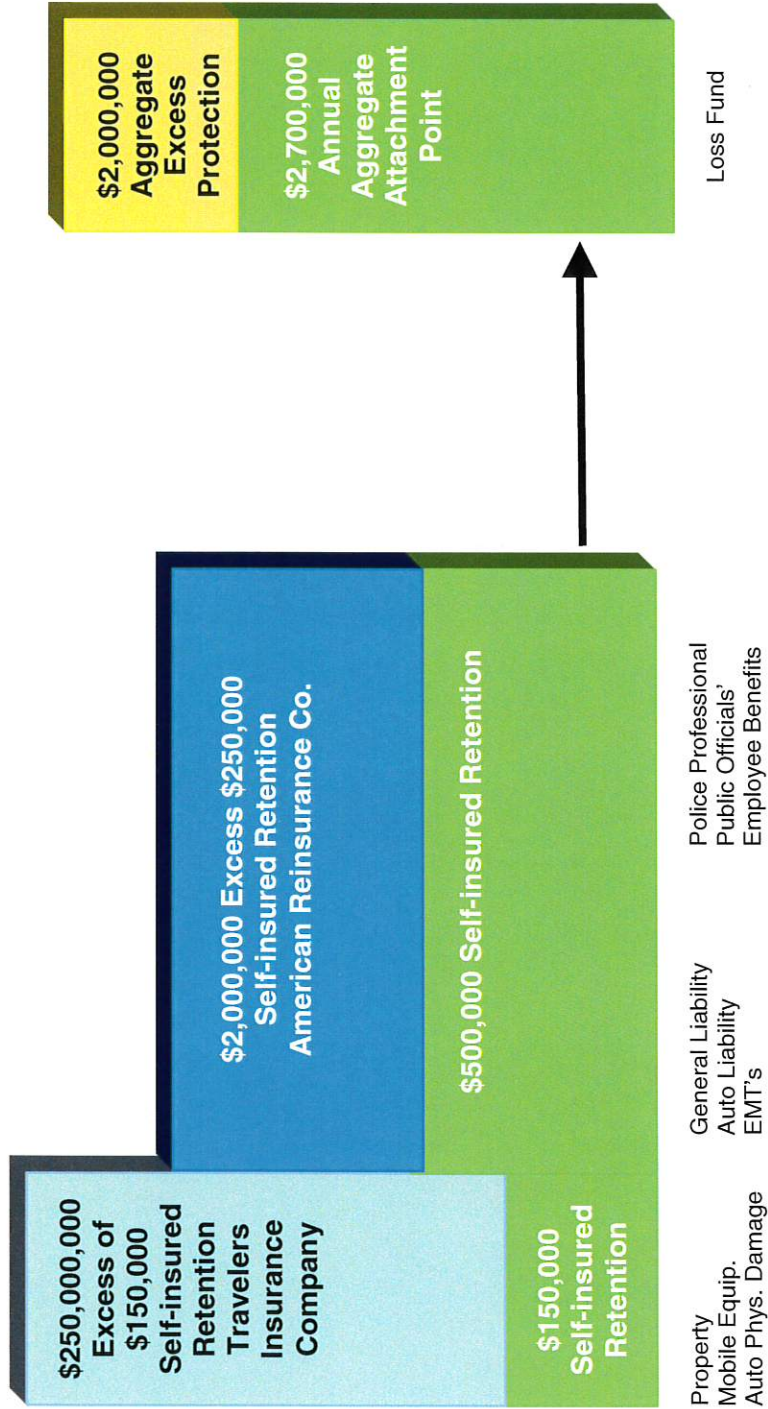
- Terrorism/Mold excluded entirely. Please advise if you would like us to approach underwriters for a quote to include Terrorism.
- Terms indicated are subject to change based upon exposure adjustments, deterioration in loss experience or any other factor that may have an impact on underwriters' assessment of this risk.
- Please provide loss runs (the single page McLarens summary sheets) for the past six years at June 30<sup>th</sup> of each year. Also, please note the quote is subject to receipt of Flood Zones A + V TIV (they need this to assess their Flood exposure to the loss fund).
- To delete the loss fund and excess aggregate protection, the return premium would be \$50,000.





# **UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL 2003 RISK MANAGEMENT PROPOSAL**

## **2003 RISK MANAGEMENT STRUCTURE** American Reinsurance Co. and Travelers Insurance Co. Option II



The self-insured retention is a per occurrence retention. Only one retention applies in the event of a multiple coverage part loss.



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**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**CASUALTY  
Option III**

**Coverage:** Third-party Liability including bodily injury, property damage, and personal injury, exclusive of a \$750,000 self-insured retention

**Company:** American Reinsurance Co.

**Form:** Occurrence except for Public Officials' Liability which is claims-made

**Loss Fund:** \$2,965,000

**Aggregate Excess Protection:** \$2,000,000

**Premium:** \$492,000

Coverage Parts	Limit	Terms
General Liability	\$2,000,000	Per occurrence
	\$3,000,000	Aggregate per member
Law Enforcement Liability	\$2,000,000	Per occurrence
	\$2,000,000	Aggregate per member
Employee Benefits Liability	\$2,000,000	Per occurrence
	\$2,000,000	General aggregate per member
Automobile Liability	\$2,000,000	Per occurrence
Auto Medical Payments	\$5,000	Per person
Uninsured Motorists	Statutory	Per occurrence
Underinsured Motorists	Statutory	Per occurrence
Public Officials' Liability	\$2,000,000	Per occurrence
	\$2,000,000	General aggregate per member

**Terms and Conditions:**

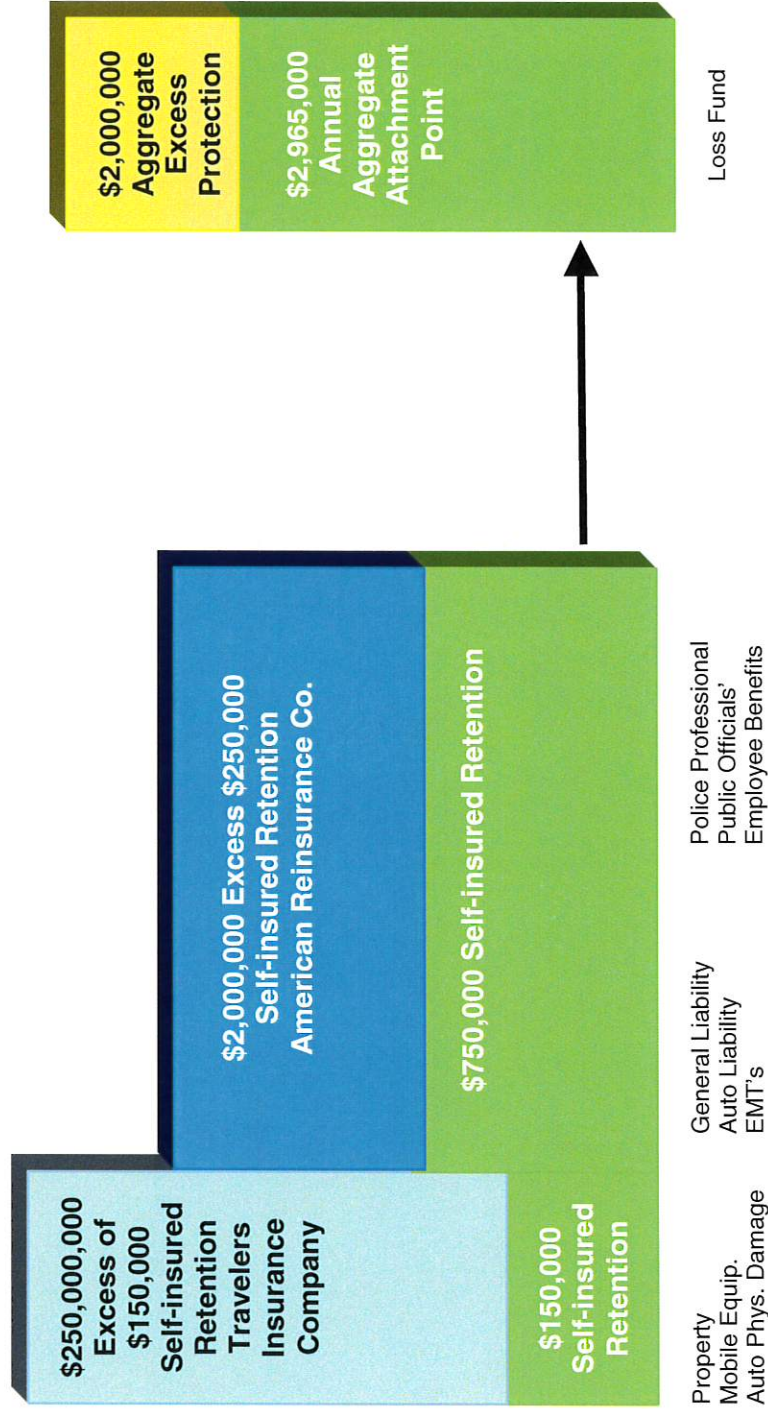
- Terrorism/Mold excluded entirely. Please advise if you would like us to approach underwriters for a quote to include Terrorism.
- Terms indicated are subject to change based upon exposure adjustments, deterioration in loss experience or any other factor that may have an impact on underwriters' assessment of this risk.
- Please provide loss runs (the single page McLarens summary sheets) for the past six years at June 30<sup>th</sup> of each year. Also, please note the quote is subject to receipt of Flood Zones A + V TIV (they need this to assess their Flood exposure to the loss fund).
- To delete the loss fund and excess aggregate protection, the return premium would be \$50,000.



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**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**2003 RISK MANAGEMENT STRUCTURE**  
American Reinsurance Co. and Travelers Insurance Co.  
Option III



The self-insured retention is a per occurrence retention. Only one retention applies in the event of a multiple coverage part loss.





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**PROPERTY**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**PROPERTY  
Option I**

**Perils:** All Risk, including Flood and Earthquake except as sublimited below

**Company:** Travelers Insurance Company

**Coverage:** Real and Personal Property, including Auto Physical Damage

**Policy Limit:** \$250,000,000 Excess of \$150,000 Self-insured

**Sublimits:**

- \$20,000,000 Flood (annual aggregate) excluding Zones A & V
- \$2,000,000 Flood (annual aggregate) Zone A
- \$5,000,000 Builders' Risk (90 days reporting)
- \$5,000,000 Ordinance or Law in any one loss
- \$5,000,000 Debris Removal or 25% of loss, whichever is less
- \$1,000,000 Newly Acquired Property (90 days reporting)
- \$10,000,000 Mobile Equipment in any one loss
- \$10,431,700 Valuable Papers in any one loss
- \$1,250,000 Fine Arts in any one loss
- \$2,500,000 Accounts Receivable in any one loss
- \$1,000,000 Extra Expense per member (\$25,000,000 maximum)
- \$1,000,000 Errors & Omissions in any one loss
- \$10,000,000 Data Processing Equipment and Media in any one loss
- \$1,250,000 Data Processing Extra Expense in any one loss
- \$10,000,000 Vehicles in any one loss ACV basis – no over the road
- \$250,000 Pollutant Cleanup annual aggregate
- \$15,000 Fungus (\$100,000 aggregate)

**All sublimits are per occurrence unless otherwise noted.**

**Deductible:** \$150,000 Self-insured Retention

**Cancellation:** 60-days' notice of cancellation applies except 10 days for nonpayment of premium.

**Valuation:** Repair or replacement basis as outlined in the policy form except for auto physical damage and mobile equipment which is actual cash value.

**Premium:** \$573,641





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**PROPERTY  
Option II**

**Perils:** All Risk, including Flood and Earthquake except as sublimited below

**Company:** Travelers Insurance Company

**Coverage:** Real and Personal Property, including Auto Physical Damage

**Policy Limit:** \$250,000,000 Excess of \$150,000 Self-insured Retention except for Earthquake which is 2% of the location limit or a minimum of \$150,000

**Sublimits:**

- \$5,000,000 Earthquake (annual aggregate)
- \$20,000,000 Flood (annual aggregate) excluding Zones A & V
- \$2,000,000 Flood (annual aggregate) Zone A
- \$5,000,000 Builders' Risk (90 days reporting)
- \$5,000,000 Ordinance or Law in any one loss
- \$5,000,000 Debris Removal or 25% of loss, whichever is less
- \$1,000,000 Newly Acquired Property (90 days reporting)
- \$10,000,000 Mobile Equipment in any one loss
- \$10,431,700 Valuable Papers in any one loss
- \$1,250,000 Fine Arts in any one loss
- \$2,500,000 Accounts Receivable in any one loss
- \$1,000,000 Extra Expense per member (\$25,000,000 maximum)
- \$1,000,000 Errors & Omissions in any one loss
- \$10,000,000 Data Processing Equipment and Media in any one loss
- \$1,250,000 Data Processing Extra Expense in any one loss
- \$10,000,000 Vehicles in any one loss ACV basis – no over the road
- \$250,000 Pollutant Cleanup annual aggregate
- \$15,000 Fungus (\$100,000 aggregate)

**All sublimits are per occurrence unless otherwise noted.**

**Deductible:** \$150,000 Self-insured Retention except Earthquake which is 2% of the location limit or a minimum of \$150,000

**Cancellation:** 60-days' notice of cancellation applies except 10 days for nonpayment of premium.

**Valuation:** Repair or replacement basis as outlined in the policy form except for auto physical damage and mobile equipment which is actual cash value.

**Premium:** \$614,615



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***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**CRIME**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**CRIME COVERAGE**

**Coverage:** Crime and Employee Dishonesty  
**Company:** Travelers Insurance Company  
**Coverage Parts:** See below

Form	Limit	Terms
Money and Securities (Within premises)	\$150,000	Each and every loss excess of the self-insured retention
Money and Securities (Outside premises)	\$150,000	Each and every loss excess of the self-insured retention
Commercial Blanket Bond	\$150,000	Each and every loss excess of the self-insured retention – excludes employees known to have committed fraudulent or dishonest acts.
Depositors' Forgery	\$150,000	Each and every loss excess of the self-insured retention
Self-insured Retention	\$150,000	Per occurrence
Member Deductible	\$500	Per occurrence
Premium	\$5,060	

**Notes:**

- The reporting period for crime losses is one year from expiration.
- Faithful performance is included in the Commercial Blanket Bond.





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**BOILER & MACHINERY**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**BOILER & MACHINERY  
Travelers Insurance Co.**

<b>Limit:</b>	\$50,000,000
<b>Sublimits:</b>	
Expediting Expenses	Policy limit
Ammonia Contamination	Policy limit
Water Damage	Policy limit
Hazardous Substance	\$2,000,000
Demolition/Increased Cost	\$1,000,000
Media	\$500,000
Statistical, Accounting, and Management	Policy limit
Computer Equipment	
<b>Broad Comprehensive coverage, including certain electronic control equipment</b>	Yes
<b>Repair or Replacement:</b>	Yes
<b>Business Interruption:</b>	Policy limit
<b>Extra Expense:</b>	Policy limit
<b>Refrigeration Interruption:</b>	Policy limit, four-hour waiting period
<b>Service Interruption:</b>	Policy limit excludes property perils, four-hour waiting period
<b>Location Insured:</b>	All
<b>Special Provisions:</b>	
Joint Loss Agreement	Yes
Connected Ready for Use	Waived
Earthquake	Excluded
Explosion Exclusion	Modified
Lightning Exclusion	Applicable, if covered elsewhere
Property Perils Exclusions (Frost, freeze, flood, ice, snow, sleet, hail, windstorm, etc.)	Included
Automatic Coverage for New Locations	365 days for direct damage, indirect damage – policy limits
<b>Deductible:</b>	\$1,000
<b>Premium:</b>	\$35,067





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**BROKERAGE SERVICES**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**BROKERAGE SERVICES**

Arthur J. Gallagher & Co. receives from UACIM an annual fee for providing brokerage services to the membership for the placement of the Excess Property, Liability, Automobile, Law Enforcement, and Public Officials' Liability coverages. The 2003 fee is \$80,000, which is the same as last year.

The services that Arthur J. Gallagher & Co. provides to UACIM as a whole, and to individual member counties include, but are not limited to, the following:

- Provide information regarding insurance markets from the standpoint of cost, service, coverage, and security;
- Keep client informed of changes in insurance market conditions that may affect the insurance program;
- Coordinate and develop renewal information with client;
- Assist in the preparation of materials, specifications, and underwriting data required by insurers;
- Market required insurance coverages;
- Prepare and present formal annual renewal presentation to client;
- Place coverage as instructed by client;
- Review the accuracy and adequacy of all policies, policy endorsements, and invoices prior to delivery;
- Assist client in the design of policy forms as needed;
- Issue binders, certificates of insurance, and other coverage verification documents as required;
- Present policy coverage questions to underwriters;
- Assist in obtaining settlements from insurers for losses that penetrate excess insurance layers;
- Act as liaison with insurance companies and McLarens-Toplis, Inc.;
- Be available to answer day-to-day questions from member counties; and
- Attend client meetings when requested.





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**COST ANALYSIS**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL**  
**2003 RISK MANAGEMENT PROPOSAL**

**2003 PROGRAM YEAR**  
**Cost Summary**

Description	Expiring	Option I	Option II	Option III
Casualty (Third-party Liability)	\$580,000	\$750,000	\$585,000	\$492,000
Property	451,406	614,615	614,615	614,615
Crime/Employee Dishonesty	4,008	5,060	5,060	5,060
Boiler & Machinery	29,245	35,067	35,067	35,067
Brokerage Fee	80,000	80,000	80,000	80,000
<b>Total Fixed Costs</b>	<b>\$1,144,659</b>	<b>\$1,484,742</b>	<b>\$1,319,742</b>	<b>\$1,226,742</b>
Loss Fund (Attachment Point)	1,850,000	2,384,000	2,700,000	2,965,000
<b>Total Program Costs</b>	<b>\$2,994,659</b>	<b>\$3,868,742</b>	<b>\$4,019,742</b>	<b>\$4,191,742</b>

**Note:**

- Option I – \$250,000 self-insured retention – Third Party Liability
- Option II – \$500,000 self-insured retention – Third Party Liability
- Option III – \$750,000 self-insured retention – Third Party Liability





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**INSURANCE COMPANY SELECTION**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**PROPOSED CARRIER RATINGS AND ADMITTED STATUS**

Proposed Carriers		A.M. Best's Rating 2002	Admitted/Nonadmitted
1.	American Reinsurance Company	A++ XV	Not Applicable <sup>(1)</sup>
2.	Travelers Insurance Company	A++ XV	Not Applicable <sup>(1)</sup>

If the above indicates coverage is placed with a Nonadmitted Carrier, the carrier is doing business in the state as a surplus lines or nonadmitted carrier. As such, this carrier is not subject to the same regulations which apply to an admitted carrier nor do they participate in any insurance guarantee fund applicable in that state.

**Guide to Best Ratings  
Rating Levels and Categories**

Level	Category	Level	Category	Level	Category
A++, A+	Superior	B, B-	Fair	D	Poor
A, A-	Excellent	C++, C+	Marginal	E	Under Regulatory Supervision
B++, B+	Very Good	C, C-	Weak	F	In Liquidation
				S	Rating Suspended

**Financial Size Categories  
(In \$000 of Reported Policyholders' Surplus Plus Conditional Reserve Funds)**

FSC I	Up to	1,000	FSC IX	250,000 to	500,000
FSC II	1,000 to	2,000	FSC X	500,000 to	750,000
FSC III	2,000 to	5,000	FSC XI	750,000 to	1,000,000
FSC IV	5,000 to	10,000	FSC XII	1,000,000 to	1,250,000
FSC V	10,000 to	25,000	FSC XIII	1,250,000 to	1,500,000
FSC VI	25,000 to	50,000	FSC XIV	1,500,000 to	2,000,000
FSC VII	50,000 to	100,000	FSC XV	2,000,000 or more	
FSC VIII	100,000 to	250,000			

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages.

Copies of the Best's Insurance Reports on the insurance companies are available upon your request.

(1) Reinsurance agreements are not covered by, or fall under the jurisdiction of the Utah State Guaranty Fund.





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

Arthur J. Gallagher & Co. uses A.M. Best & Co.'s rating services to evaluate the financial condition of insurers whose policies we propose to deliver. The rating of the carrier and the year of publication of that rating are indicated. Arthur J. Gallagher & Co. makes no representations and warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier which may change.





***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL***

**ACTUARIAL DISCLAIMER**





**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL  
2003 RISK MANAGEMENT PROPOSAL**

**ACTUARIAL DISCLAIMER**

The information contained in this proposal is based upon the historical loss experience and exposures that were provided to Arthur J. Gallagher & Co. This proposal is not an actuarial study. Should you wish to have this proposal reviewed by an accredited actuary for accuracy of loss projections, adequacy of retention or insurance limits, or for recommended methods of funding or funding levels, we will be pleased to provide a listing of actuaries for this purpose.

In addition to the fee and/or commissions retained by Arthur J. Gallagher & Co., it is understood and agreed that other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by Arthur J. Gallagher & Co., may earn and retain usual and customary commissions and/or fees in the course of providing insurance products. Any such fees and/or commissions will be the responsibility of the client and not Arthur J. Gallagher & Co.



